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C O N F I D E N T I A L SECTION 01 OF 03 PRAGUE 000184

SIPDIS

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TAGS: [PGOV](#) [PREL](#) [PINR](#) [EZ](#)

SUBJECT: CZECH PM STANISLAV GROSS: SHROUDED IN CONTROVERSY
AND FACING FIRST REAL CALLS FOR RESIGNATION

REF: A. PRAGUE 1857

[B](#). PRAGUE 1758

Classified By: Political Officer Renata Sykorova Turnidge for reasons 1
.4(b) and (d).

[1](#)1. (C) Summary. Czech Prime Minister Stanislav Gross is under increasing pressure from the opposition and the public to explain the unclear origin of money used in 1999 to purchase the family's luxury Prague apartment, or to resign. His inability to explain his source of financing for the apartment is one of many scandals he has faced in recent months. So far, Gross has failed to clear his name. The current scandal is the first during Gross's brief (six month) tenure as Prime Minister that could actually force him from his position. However, the lack of a clear successor is the primary factor many cite in their expectation that Gross will weather this storm and be confirmed as party chairman at the Social Democratic Party (CSSD) Congress in March. Even if he survives, the scandals will surely weaken his position and have emboldened the opposition Civic Democratic Party (ODS). The latest scandals are a reminder of Gross's biggest vulnerability: the lack of transparency surrounding his political and personal life. They threaten to overshadow Gross's efforts to implement basic economic reforms prior to the 2006 election and his plans to revitalize CSSD. On foreign policy issues of importance to USG, Gross continues to pull through, most notably on the recent parliamentary extension of the military police deployment in Iraq. End Summary.

Scandal-Ridden PM

[1](#)2. (C) The youngest Prime Minister in Czech history, Gross (34), has been embroiled in controversy over the years, but the media started paying closer attention recently. Some speculate that this is part of a concerted smear campaign against Gross prior to the March 25-27 CSSD Congress, although there is little evidence to support this claim. The unexplained financing for the CZK 4.2 million (USD 180,000) Gross family luxury flat in an exclusive Prague neighborhood is only one of the recent scandals. The scandals have damaged Gross's reputation and have prompted calls this week for his resignation -- so far these calls are isolated, but they are the first since Gross became Prime Minister last August. Gross's purchase of a flat that is beyond his means serves as proof of corruption for some political observers, who have talked about the PM's murky business dealings for years (the additional news this week that Gross's wife purchased an expensive piece of real estate in Prague, whose financing is also unknown, has added fuel to the fire). Many who know him personally claim that Gross, who has a working-class background (born to a driver and secretary, and is a former train technician) is simply taking advantage of the side benefits of high-level politics, nothing unusual for Czech politicians.

[1](#)3. (C) Just as disturbing as suspicions regarding his unethical behavior in office are reports that Gross, while Interior Minister, overstepped his authority when he created the "Mill" police squad, a secret unit that answered directly to him and allegedly gathered information on political opponents and big financial cases. He and current Interior Minister Frantisek Bublan face an official inquiry from the Chamber of Deputies to explain the squad's operations. Gross, who recognizes the importance of information, is well known in political circles for his ability to gain useful information on political opponents. He reportedly built the backbone for his network of information sources at the Ministry of Interior in the mid-1990s when he befriended former directors fired by then Interior Minister Jan Ruml as part of purges of former Communist officials from the Ministry. Gross still has sensitive information on various political figures, according to CSSD insiders.

Gross and All His Men

[1](#)4. (C) Gross's biggest problem lies with his bad judgment in choosing advisors. Some argue that he does not have a good feel for people. However, Gross's pragmatic approach to politics and love of power suggest that Gross intentionally

chooses his advisors to help him get ahead. Many of the people who helped Gross rise to the top of party ranks and have been employed for years behind the scenes have ties to the former Communist regime. Among the most well known are former First Deputy Interior Minister and CSSD parliamentary caucus chair Petr Ibl, once a guard in a prison where political dissidents were held, and former Deputy Police President Vaclav Jakubik, another prison guard under the Communists, who performed his duties without a proper security clearance. Ibl and Jakubik both attended the Police University prior to 1989. Perhaps Gross's main misstep was his appointment of a former leader of a police unit responsible for dispersing crowds during the 1989 demonstrations, Pavel Pribyl, as the chief of government. Pribyl later resigned under public pressure, but the damage was done.

15. (C) It is unlikely that Gross will get rid of these people, because he is indebted to these old-timers who helped him into his current position. Their futures are tied. Gross, however, also has made some good personnel choices. He invited more economic experts into his advisor team, something CSSD lacked in the past. He chose an experienced, well-educated economist Jan Mladek as his special economic advisor, and the dynamic and young non-party member Martin Jahn as Deputy PM for Economic Policy. He has earned kudos for these decisions from non-partisan economic experts. Gross recently also has gotten rid of lobbyist Andrej Surnak, whose PR agency Crane Consulting masterminded the expensive but ineffective "I mean it sincerely" pre-election campaign for the failed November '04 Senate and regional elections.

What Makes Gross

16. (C) Gross was once held up as a prime example of a new generation of leaders: young, smart, untouched by corruption, and part of a new era of politicians with no ties to the Communist regime. However, Gross has failed to meet most of these expectations. He is a mixture of contradictions. On the one hand, he is sharp, politically savvy, and hailed within CSSD for his communication skills (the sort of skills that former PM Spidla lacked). On the other, he lacks vision, clear moral principles, and life experience outside of politics. His Machiavellian drive for power overrides other guiding principles and fuels his flexible, pragmatic approach to politics. Party insiders agree that he owes his meteoric rise to the top spot in CSSD to his extraordinary talent for political negotiations, as well as his access to information. Other words used to describe him are workaholic, gifted manager, and a regular guy. Gross likes to portray himself as man with a common touch, and until recently enjoyed the public's trust, leading in popularity in opinion polls for five years. He generally says few things of substance or comes down clearly on controversial issues, and tries to avoid conflict at all costs. He is known as a loner, and even those closest to him are unable to define his character or beliefs. Many older Czechs find his age a problem and view it as a sign of lack of maturity for the job of premier.

17. (C) Although young, Gross is an experienced politician. Since entering politics in 1989, he joined the re-established CSSD where he was elected chair of the Young Social Democrats in 1990. He quickly rose through the senior party ranks and became deputy in the lower house in 1992. In the late 1990s, his posts included chairman of the CSSD parliamentary caucus and vice speaker of the Chamber, partly because he was able to make friends with the right people at the right time. Former PM Milos Zeman recognized Gross's mass appeal and made him Interior Minister in 1999. Gross was considered CSSD's crown prince for a while, but quickly went from crown prince to former PM Zeman's arch enemy. He was elected first vice-chairman at the 2001 party congress. Despite his initial hesitancy, his party allies helped propel Gross to position of acting chair and PM after removing Vladimir Spidla as party chair in summer 2004.

It's Not All Bad

18. (C) While the controversies involving Gross overshadow all else related to the government these days, Gross has had some positive impact on the political scene and his party. He managed to put together a working governing coalition after Spidla's ouster in July 2004, and consolidated the CSSD, albeit temporarily, after taking over as acting party chair. Due to inherent conflict within the party (ref A), neither Gross nor any other CSSD leader is capable of uniting the party for the long-term at this time. Together with Finance Minister Bohuslav Sobotka, he is making an effort to revitalize the troubled and divided party, which has lost more than half its voters since winning the 2002 elections. Their plans include transforming CSSD into a more centrist,

modern European Social Democratic Party. At the January party program conference, Gross pushed through a pre-2002 election strategy that encompassed a drop in income tax for low and medium wage-earners, but the rejection of school tuition or co-payments for medical treatments is a reflection of the strong opposition from the left wing in the party to any shift toward the center. In addition, even though his interest does not lie in foreign policy, Gross is making a concerted effort to be well-informed about important issues and to fulfill all obligations toward NATO and the EU. He has been forthcoming in our dealings, and fought for the parliamentary approval to extend Czech troops in Iraq until end of 2005, although it was not a popular move within CSSD.

Comment

19. (C) Scandals surrounding politicians purchasing housing beyond their means are common in the Czech Republic, as in many countries. Indeed, allegations and rumors about Gross's 1999 purchase have circulated for years; the fact that many top Czech politicians from across the political spectrum have acquired expensive housing led many to believe that Gross would prove as adept at weathering this scandal when it resurfaced in the press last week as he had the many others during his political career. However, Gross's missteps (he has offered three separate and contradictory explanations for the financing, most centered around the supposed largesse of a retired uncle) have emboldened his opponents, and this week's parliamentary plenary session is likely to be dominated by the affair. While we take the calls for his resignation seriously, as of today Gross is likely to weather the storm. The calculus remains the same: ODS is not ready for early elections (which are constitutionally difficult to call), and the divided CSSD has no likely successor to Gross, who has so far skillfully built support within the party in advance of the March Party Congress. Assuming he does carry on as Prime Minister, this latest scandal will surely weaken Gross's political and popular position, no matter how large a mandate he receives at the Party Congress.

110. (C) Looking ahead, there is no doubt that CSSD will fare poorly in the summer 2006 elections, which are widely expected to bring ODS to power after eight years. Without any strategic vision, many doubt Gross will stick around to lead the party in opposition since he does not like to be on the losing side. Gross is young and well connected, and has left the door open for joining the more lucrative business world.
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